

Message Text

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PAGE 01 BUENOS 06297 242115Z

61

ACTION ARA-20

INFO OCT-01 ADP-00 AID-20 CIAE-00 EB-11 FRB-02 INR-10

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TAGS: ECON, EMIN, AR.

SUBJECT: FOREIGN INVESTMENT LAW AND MINING.

REF: A) STATE 163974; B) BA-4568; C) BA-666; D) EMBASSY'S
A-323.

1. DRAFT FOREIGN INVESTMENT LAW CONTAINS NO REPEAT NO
SPECIFIC PROHIBITION OF NEW FOREIGN INVESTMENT IN
MINING SECTOR. REFERENCE TO SUCH PROHIBITION MADE
IN REF C), EMBASSY'S FIRST REPORT ON THIS MEASURE,
BASED ON UNOFFICIAL TEXT OBTAINED FROM LOCAL BANKING
SOURCE. MINING REFERENCE DROPPED IN LATER OFFICIAL
TEXT SUBMITTED TO CONGRESS BUT RETAINED, INADVERTENTLY
IN REF B).

2. REF D) SUMMARIZES CONTENTS OF MINING PROMOTION LAW, AS
SUBMITTED TO CHAMBER OF DEPUTIES JUNE 21, WITH REST OF
GOA ECONOMIC PACKAGE. THIS MEASURE SPECIFIES COMPRE-
HENSIVE SYSTEMS OF PROMOTIONAL DEVICES FOR MINING
SECTOR, WHICH SHALL BE AVAILABLE ONLY TO FIRMS OF LOCAL
CAPITAL (I.E.: NO MORE THAN 19 PERCENT FOREIGN CAPITAL).
AGAIN, OPERATIONS BY FOREIGN FIRMS IN MINING SECTOR ARE
NOT SPECIFICALLY PROHIBITED, BUT THRUST OF MEASURE SEEMS
TO DISCOURAGE SUCH ACTIVITIES. IN ANY CASE, NEW INVEST-
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PAGE 02 BUENOS 06297 242115Z

MENT IN MINING WILL BE SUBJECT TO NEGOTIATION OF

DETAILED CONTRACT WITH GOA, AND ALSO TO APPROVAL OF CONTRACT BY CONGRESS IF FOREIGN SHARE IS 50 PERCENT OR MORE.

3. BOTH MEASURES NOW BEFORE SENATE, WHICH LOCAL PRESS REPORTS IS BEGINNING MARATHON CONSIDERATION OF SOME 22 MEASURES PASSED EARLIER BY DEPUTIES. PROMULGATION NOT EXPECTED BEFORE END OF AUGUST. DRAFT MINING PROMOTION LAW BEING POUCHED SEPARATELY, AND FURTHER DEVELOPMENTS WILL BE REPORTED AS THEY OCCUR.
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